

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1321-01  
Bill No.: HB 705  
Subject: Education–Proprietary; Retirement–Schools; Retirement Systems and  
Benefits–General  
Type: Original  
Date: February 23, 2001

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials with the **Joint Committee on Public Employee Retirement (JCPER)** indicate that this legislation is a “substantial proposed change” in future plan benefits as defined in Section 105.660(5). An actuarial cost statement was provided to the committee at the time the proposed benefit changes were made by the system’s Board of Trustees.

The **Office of Administration** notes that the Saint Louis Public School Retirement System should determine any possible costs.

Officials from the **Saint Louis Public School Retirement System (PSRS-STL)** assume that the proposal would have no fiscal impact on the system. The changes being made in statute by this act have already been made by rule by the system’s Board of Trustees. The actuarially required contribution (ARC) and the plan’s funding status already reflect the benefits proposed. An actuarial cost statement provided to the JCPER in July, 1998, noted that the changes being made at that time by the system’s Board of Trustees would require an employer actuarially required contribution of 8.03%. The system’s actuarial valuation as of January 1, 2000 (most recent available) indicated that the employer ARC, including the benefits in this proposal, is now calculated at 7.17%. The school district is currently making contributions at 8.03% of payroll.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## DESCRIPTION

This bill makes changes in the St. Louis Public School Retirement System. The bill:

- (1) Defines "charter schools" and includes charter schools in the definition of public schools to include the participation of charter school employees in the system;
- (2) Defines "retired member" and further defines "active member" and "inactive member";
- (3) Clarifies laws that allow members to purchase pension credit for various kinds of service;
- (4) Allows members of the Board of Education to serve as members of the retirement system Board of Trustees;
- (5) Authorizes the board of trustees to continue to function in the event of lapses in the school district's corporate organization;
- (4) Increases the period during which a member can apply for a pension from 90 to 180 days;
- (5) Increases the pension benefit formula multiplier from 1.25% to 2%;
- (6) Increases the period during which a member can apply for a disability pension from 90 to 180 days. Social security disability awards are also accepted as an alternative standard for disability pension approval;
- (7) Requires payment to a member with fewer than 5 years of service who ceases to be employed, except by death, of the amount of accumulated contributions. The payment must be made in accordance with the Internal Revenue Code;
- (8) Adds a benefit payment option that allows a member to receive an actuarially equivalent benefit that is higher prior to age 62 and lower after age 62;
- (9) Repeals language which required that a member's account not be credited with annual interest after the date benefits were first due and payable;
- (10) Allows retired members to continue to receive benefits and compensation for employment under Section 105.269, RSMo, as volunteer tutors;
- (11) Requires special advisor payments to be paid as cost-of-living benefits rather than as expenses of the retirement system;
- (12) Deletes the requirement that the board of trustees elect a treasurer;

DESCRIPTION (continued)

- (13) Repeals language requiring the annual valuation to be based on the unfunded liability;
- (14) Changes the amortization schedule for the unfunded liability from 50 years to a period not to exceed 30 years;
- (15) Allows the board of trustees to adopt an actuarial method that is appropriate for the system's funded status;
- (16) Allows the system to recognize child support orders issued through the Division of Child Support Enforcement involving retired members; and
- (17) Updates and deletes obsolete language.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement  
Office of Administration  
Saint Louis Public School Retirement System



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Director

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